

KEYNOTE INTERVIEW

Lower mid-market builds momentum



*Demographic and onshoring trends are creating compelling investment propositions in North American infrastructure, say Ridgewood Infrastructure's **Michael Albrecht** and **Ross Posner***

Significant domestic migration within the US is revealing stark inadequacies with existing infrastructure, creating opportunities for investment in multiple sectors, including water. Meanwhile, the trend towards onshoring that has resulted from the need to build resilience into supply chains and respond to geopolitical threats, has led to prospects in the transport and logistics space.

The omnipresent threat of tariffs, together with legislative changes impacting investment incentives, is also shaping the North American infrastructure market. Investors are therefore digging deep to identify managers

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whose strategies genuinely mitigate these risks. Michael Albrecht and Ross Posner, both managing partners at leading lower-mid-market infrastructure investor Ridgewood Infrastructure, discuss the evolving picture.

Q Which sectors present the most interesting investment opportunities within the North American market?

Michael Albrecht: Two themes that

are currently shaping our strategy are domestic migration and a focus on onshoring. There's been a significant population migration to the Southern regions of the US, which is placing growing pressure on local infrastructure systems.

For example, population growth has outpaced investment in infrastructure and critical services in Texas. In a recent report from the American Society of Civil Engineers, the state received a D+ grade for its drinking water systems. This was a downgrade from prior assessments and clearly demonstrates the growing risks of ageing and insufficient infrastructure.

As a result, we see a compelling opportunity to acquire, scale and professionalise small and mid-size water utilities across the region. This involves targeting investments in pipe replacement, treatment facility upgrades and smart metering systems with a view to generating operating efficiencies while improving the essential services provided to communities.

Another theme that's guiding a portion of our origination strategy centres around the increasing trend for onshoring. Companies are looking to bring manufacturing and critical supply chains back to the US in response to geopolitical shifts and a desire for greater resilience. To support this trend, we're targeting investments in transportation and logistics infrastructure.

In particular, we're focusing on assets that serve as key gateways for domestic manufacturing and commerce such as seaports, intermodal terminals, rail and associated logistics networks. These are critical enablers of onshoring, offering both strategic relevance and attractive investment fundamentals. By investing in and expanding these assets, we can deliver cost-effective, high-throughput logistics solutions that help manufacturers source inputs efficiently and scale operations domestically.

Q How has geopolitical uncertainty impacted the infrastructure space?

MA: Geopolitical uncertainty has emerged as a defining feature in today's investment landscape and the direct impact on the infrastructure sector is both broad and complex. Tariffs on construction materials and components, whether steel, aluminium, solar panels or electrical equipment, have not only increased project costs, but also caused delays across critical sectors such as energy, transportation and water. We mitigate these risks by partnering with best-in-class construction firms, with global procurement capabilities, and by structuring

Q How would you describe LP appetite for North American infrastructure, and what are investors looking for in a strategy and manager today?

RP: We held a final close earlier this year, so we haven't really been raising capital under the new administration. But the general view of LPs is that there's a large North American infrastructure investment opportunity. It's even more abundant in the lower middle market – with enterprise values of less than \$500 million – where there's a disproportionate amount of opportunity relative to the capital being raised. While that's an attractive backdrop, we view it more as market beta.

The alpha comes with what we're able to do in that part of the market. It's a combination of the experience and capability set of our team coupled with our value creation approach. We seek to drive intrinsic value through an active, operationally orientated value creation strategy, focused on controllable outcomes. We also run a diversified strategy which means we can look at relative value across the spectrum of sectors, including water, energy and transport. LPs recognise these attributes and are attracted to our market focus.



underlying contracts to limit exposure to price volatility and construction delays.

Recent legislative changes have also affected renewables tax incentives, creating transiency rather than transparency. Renewables projects remain highly sensitive to the longevity of tax credits. Uncertainty can delay development and constrain capital deployment.

We do not take subsidy risk at Ridgewood. Instead, we focus on investing in operating assets that are insulated from changes to incentive regimes. Any future construction of new assets is an upside, rather than a driver of base case returns.

Q Is the lower mid-market relatively insulated from these macro events?

Ross Posner: In the lower mid-market, we're able to be highly targeted. We're not buying big macro themes, which means, that we can avoid subsidy risk, for example. We can also home in on specific regions, rather than buying national exposure. Having said that, the ability to avoid macro risks ultimately comes down to investment selection, whether you're a mega-fund or a fund of our size. Trade-offs are made all the time in terms of the risk factors that firms identify and accept. It's all about the knowledge, judgement and

discipline applied in the investment process.

Q Are there aspects of LP due diligence that have changed or intensified in the current environment?

RP: New risks are being identified under the new administration, whilst existing risks have been amplified. We're not fundraising right now, but I would suspect that LPs have adjusted their due diligence as a result. Experienced LPs will continue to spend time understanding how managers identify, evaluate and determine which risks they are willing to accept, and on looking at the nature of the underlying cashflows that the manager is investing in, together with the manager's diversification strategy.

Q Where do you see the best opportunities for value creation?

MA: While each of our investments is guided by a tailored value creation plan, our approach consistently centres on three levers: scaling, stabilising and professionalising the businesses that we own. In the lower mid-market, companies are often well managed

but lack the institutional practices and systems that support long-term scalability and resilience. For example, our portfolio company Undine focuses on the acquisition and integration of small water and wastewater utilities. We implemented a disciplined framework for sourcing and evaluating add-on opportunities, together with the associated capital investment and post-closing integration plans. This playbook enabled Undine to grow from serving around 2,000 customers (when we entered) to approximately 35,000 today, while enhancing operational reliability and regulatory compliance.

We also emphasise de-risking as a key component, particularly around construction and long-term operational risks. One of our portfolio companies, The Prospect Lake Clean Water Center, for example, which represents the third largest water PPP in history, was structured in partnership with best-in-class construction and operating firms. Through that rigorous partner selection, as well as contractual protections including fixed priced arrangements and indexed operations contracts, we effectively insulated the project from input cost inflation, construction delays and post-completion expense volatility.

Q How would you describe the current exit environment and what does it take to successfully realise investments?

MA: We've recently completed two successful realisations with Vista Ridge, a 142-mile contracted water transmission pipeline serving the city of San Antonio, and SiEnergy, which was one of the fastest growing regulated natural gas utilities in the US. Both exits generated returns well in excess of initial expectations, underscoring strong investor demand for essential, scalable infrastructure platforms.

A key driver of those outcomes was the resilience and predictability of cashflows. For example, Vista Ridge

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benefited from 30-year take or pay contracts with an investment-grade counterparty providing long-term cashflow certainty. SiEnergy operates under a regulatory framework, with a growing customer base, thereby delivering both stability and embedded growth. These attributes attracted a broad range of buyers including strategics, infrastructure bonds and institutional balance sheet platforms, all seeking assets that can perform across market cycles.

Equally important was the value creation we executed during our ownership including professionalising operations, implementing scalable systems and assembling high calibre management teams. These improvements not only optimised performance but also positioned these businesses as platform ready, allowing acquirers to further scale with confidence.

We take the view that you should always begin with the end in mind, embedding our exit considerations into the investment strategy from day one. We define a clear, value realisation pathway, whether through strategic sale or platform consolidation, and then design our value creation plan accordingly. This discipline ensures that we build businesses that are attractive in any macro environment, with returns driven by operational excellence and structural resilience rather than market timing. ■

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MICHAEL ALBRECHT